

**LAWTON-BRONSON COMMUNITY
SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2008

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

OFFICIALS

June 30, 2008

**Board of Education
(Before September 2007 Election)**

		Term Expires
Amy Denney	President	2007
Steve Olson	Vice President	2007
Kevin Grieme	Board Member	2008
Paul Roberts	Board Member	2008
Machele Dunning	Board Member	2009

**Board of Education
(After September 2007 Election)**

Kevin Grieme	President	2011
Steve Olson	Vice President	2009
Amy Denney	Board Member	2011
Machele Dunning	Board Member	2009
Paul Roberts	Board Member	2011

School Officials

Robert Morrison	Superintendent	2008
Kimberly Brouwer	Secretary-Treasurer	2008
James Hanks	Attorney	Indefinite



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Lawton-Bronson Community School District
Lawton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawton-Bronson Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lawton-Bronson Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawton-Bronson Community School District as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009 on our consideration of the Lawton-Bronson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and pages 41 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed

unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Langany, P.C.
Certified Public Accountants

Sioux City, Iowa
March 26, 2009

Management Discussion and Analysis

Lawton-Bronson Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

2008 Financial Highlights

- General Fund revenues increased from \$4,842,381 in fiscal year 2007 to \$5,454,141 in fiscal 2008, while General Fund expenditures increased from \$5,008,065 in fiscal 2007 to \$5,175,320 in fiscal 2008. The District's General Fund balance increased from \$(209,255) at the end of fiscal 2007 to \$73,925 at the end of fiscal 2008, a 135% increase.
- The increase in General Fund revenues was attributable to an increase in property tax revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in salaries and other fixed costs. The main reason the General Fund balance increased was because of the increased cash reserve levy implemented by the board for fiscal 2008. As a result, the district was able regain a positive solvency ratio.

Using This Annual Report

This annual report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide *both short-term and long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operation in *more detail* than the District-wide statements.
- The *governmental funds' statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds' statements* offer *short and long-term* financial information about the activities that the District operates *like businesses*, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-1

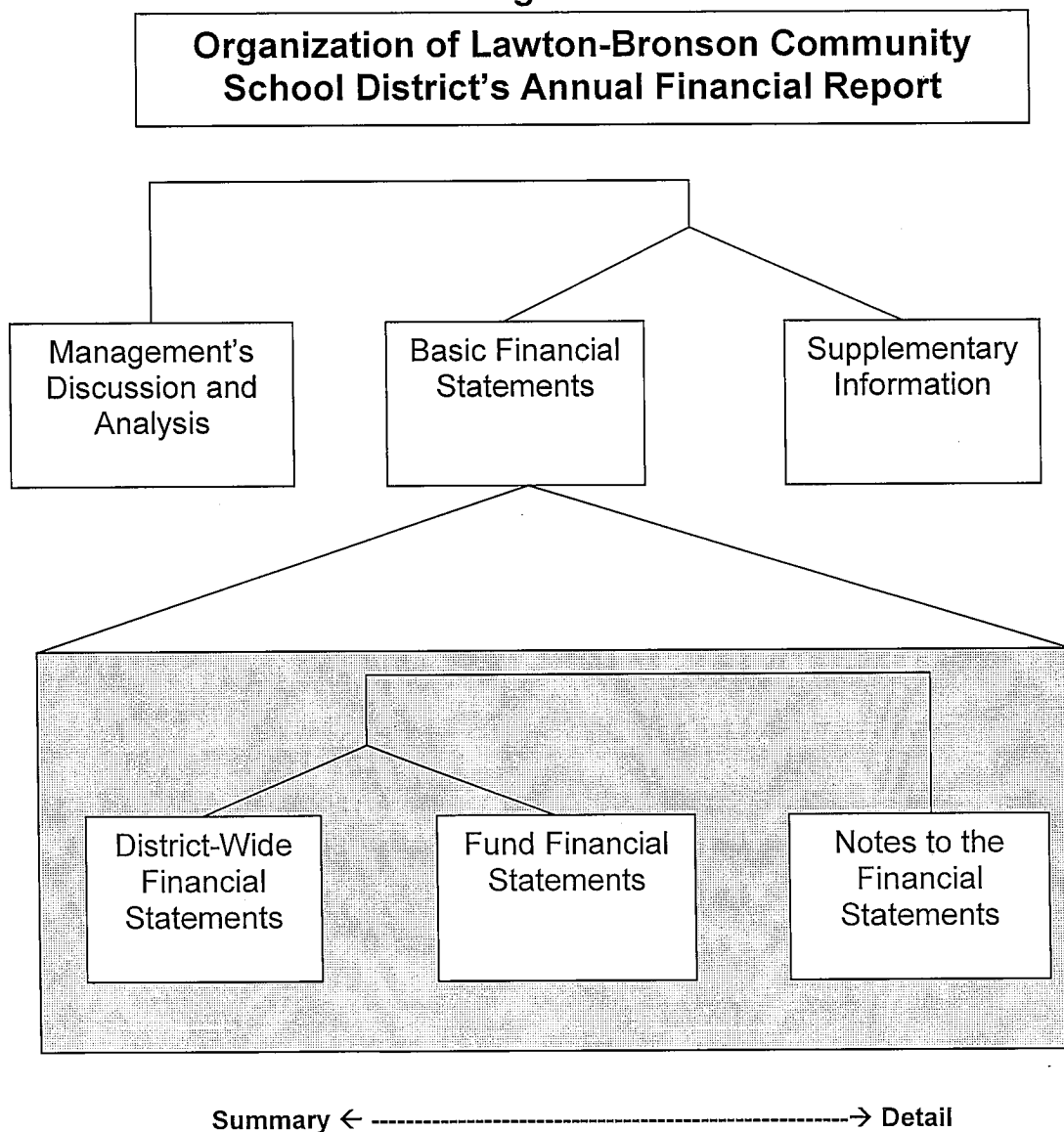


Figure A-2
Major Features of the District Wide and Fund Financial Statements

	District - wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else; such as scholarship programs and student activities monies
Required financial statements	Statement of net assets and statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short- term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The two District-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service, before and after the bell, preschool, and fitness center programs would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on regular programs.

- Some funds are required by law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

As previously noted, Lawton-Bronson Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year, utilizing statutorily prescribed procedures. This fiscal year the District's budget was prepared on GAAP basis as it had the previous year but in years past it had been on a cash basis. The district did amend the budget.

As a whole, the financial health of the district is good and getting stronger. The net assets of the total district saw an increase of \$1,002,748. Figure A-3 provides a summary of the District's net assets for the fiscal years ended June 30, 2008, and June 30, 2007. Figure A-4 shows the changes in net assets for the same two fiscal years. To provide a better understanding of the financial makeup of the district the following sections will provide an analysis of each of the funds.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 13,687,454	\$ 7,449,568	\$ (104,921)	\$ 27,051	\$ 13,582,533	\$ 7,476,619
Capital assets	6,397,759	5,660,185	243,059	46,652	6,640,818	5,706,837
Total Assets	20,085,213	13,109,753	138,138	73,703	20,223,351	13,183,456
Long-term debt outstanding	9,459,774	3,004,960	-	-	9,459,774	3,004,960
Other liabilities	4,377,804	4,758,297	17,226	54,400	4,395,030	4,812,697
Total Liabilities	13,837,578	7,763,257	17,226	54,400	13,854,804	7,817,657
Invested in capital assets, net of related debt	5,412,408	2,760,185	243,059	46,652	5,655,467	2,806,837
Restricted	287,573	157,309	-	-	287,573	157,309
Unrestricted	547,654	2,427,402	(122,147)	(27,349)	425,507	2,400,053
Total Net Assets	\$ 6,247,635	\$ 5,344,896	\$ 120,912	\$ 19,303	\$ 6,368,547	\$ 5,364,199

	% Changes		
	Governmental Activities	Business-type Activities	Total District
	FY07 - FY08	FY07-FY08	FY07-FY08
Current and other assets	83.7%	-487.9%	81.6%
Capital assets	13.0%	421.0%	16.4%
Total Assets	53.2%	87.4%	52.8%
Long-term debt outstanding	214.8%		212.2%
Other liabilities	-8.0%	-68.3%	-8.7%
Total Liabilities	78.2%	68.3%	76.2%
Invested in capital assets, net of related debt	96.1%	421.0%	101.5%
Restricted	82.8%		82.8%
Unrestricted	-77.4%	346.6%	-82.27%
Total Net Assets	16.9%	526.4%	18.7%

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total District	
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 764,476	\$ 652,654	\$ 244,834	\$ 142,516	\$ 1,009,310	\$ 795,170
Operating Grants & Contributions	750,617	579,043	90,062	93,708	840,679	672,751
Capital Grants & Contributions	31,550	86,285	-	-	31,550	86,285
<i>General Revenues</i>						
Property and Other Taxes	2,786,311	2,471,965	-	-	2,786,311	2,471,965
State Formula Aid	2,414,184	2,315,977	-	-	2,414,184	2,315,977
Other	246,239	229,433	1,496	7,984	247,735	237,417
Total Revenues	6,993,377	6,335,357	336,392	244,208	7,329,769	6,579,565
Expenses						
Instruction	3,737,235	3,577,670	-	-	3,737,235	3,577,670
Support Services	1,933,433	1,844,969	-	-	1,933,433	1,844,969
Non-instructional Programs	-	-	414,405	264,634	414,405	264,634
Facilities Acquisition	75,592	89,603	-	-	75,592	89,603
Debt Service	140,659	162,827	-	-	140,659	162,827
Intergovernmental	210,904	194,268	-	-	210,904	194,268
Total Expenses	6,097,823	5,869,337	414,405	264,634	6,512,228	6,133,971
Excess (deficiency) of revenues over expenses before transfers	895,554	466,020	(78,013)	(20,426)	817,541	445,594
Transfers	(204,593)	-	204,593	-	-	-
Increase (Decrease) in Net Assets	\$ 690,961	\$ 466,020	\$ 126,580	\$ (20,426)	\$ 817,541	\$ 445,594

	% Changes	
	Governmental Activities	Business-type Activities
	FY07-FY08	FY07-FY08
Revenues		
<i>Program Revenues</i>		
Charges for Services	17.1%	71.8%
Operating Grants & Contributions	29.6%	-3.9%
Capital Grants & Contributions	-63.4%	-
<i>General Revenues</i>		
Property and Other Taxes	12.7%	-
State Formula Aid	4.2%	-
Other	7.3%	-81.3%
Total Revenues	10.4%	37.7%
Expenses		
Instruction	4.5%	-
Support Services	4.8%	-
Non-instructional Programs	-	56.6%
Facilities Acquisition	-15.6%	-
Debt Service	-13.6%	-
Intergovernmental	8.6%	-
Total Expenses	3.9%	56.6%
Increase (Decrease) in Net Assets	48.3%	719.7%

Financial Analysis of the District's Funds

Governmental Activities

Governmental activities consist of the following District funds: General; Student Activity; Management; Physical, Plant & Equipment; Local Option Sales Tax; Capital Projects; and Debt Servicing. Figure A-5 presents the cost of five major district activities: instruction, support services, facilities acquisition, debt services, and intergovernmental. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. As a whole these funds provided the district with the increase in net assets.

- The cost of all governmental activities this year was \$6,097,823.
- The users of the District's programs financed a portion of the cost.
- Most of the District's \$4,551,180 net costs were financed by District and state taxpayers.
- Governmental activities were financed with \$2,786,311 in property taxes and other taxes, \$2,414,184 of unrestricted state aid, and \$221,461 of investment earnings.

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services		Net % Change
	2008	2007	2008	2007	2007-2008
Instruction	\$ 3,737,235	\$ 3,577,670	\$ 2,440,480	\$ 2,590,333	-5.8%
Support Services	1,933,433	1,844,969	1,925,999	1,793,301	7.4%
Facilities Acquisition	75,592	89,603	44,042	3,318	1227.4%
Debt Service	140,659	162,827	140,659	162,827	-13.6%
Intergovernmental	210,904	194,268	-	-	-
Total	\$ 6,097,823	\$ 5,869,337	\$ 4,551,180	\$ 4,549,779	0.0%

General Fund - The general fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

"This fund is the chief operating fund of the school district. It is used to account for all financial resources of the school district except for those required to be accounted for in another fund. A district or AEA may have only one general fund."

The General Fund saw a decrease in both assets and liabilities. The main reason for the decreases can be attributed to fiscal year District's reduced participation in the Iowa School Cash Anticipation Program (ISCAP) for fiscal year 2008. This is a program that assists school districts by providing a source of cash for districts that are experiencing cash shortfalls throughout the school year. The district increased the cash reserve levy so that they would be able to reduce the amount of borrowing needed for cash flow purposes. Borrowings for the new elementary building also impacted the district's decision to reduce participation in ISCAP as there are legal limitations to the amount of borrowing a district can do in one

calendar year. The District participated in Series B for 2007-2008 with a total of \$673,154 in warrants issued but choose not to participate in Series A for 2008-2009.

The district regained a positive unreserved, undesignated fund balance after the previous two years negative balances. This year, it rose to \$38,678 from -\$269,631 the year before. With a positive unreserved, undesignated fund balance the district once again has a positive solvency ratio. Figure A-6 is a summary of the solvency ratios over the last three fiscal years. The solvency ratio is calculated by dividing the general fund's unreserved, undesignated fund balance by the general fund's revenues. Each component of the calculation is included in Figure A-6. It must also be noted that in past years the before and after the bell fund and preschool fund had been reported with the general fund. These funds will be discussed in more detail later in the report but please note that the inclusion of these funds with the general fund made the fund balance more negative in years past than if they had not been included.

The unreserved, undesignated fund balance can be compared to owner's equity in a regular business setting which is calculated by taking total assets minus total liabilities. A school's general fund operates differently than a regular business setting. The general fund is given spending authority from the state. This spending authority determines how much a district is able to spend. The amount a district can spend is not determined by the amount of cash a district has in the bank. The district has not in prior years or this year overspent its spending authority from the state. Actions were taken to regain a healthy cash position as well as better balance the revenues and expenditures of the district. While substantial improvement was gained the district continues to work for healthier cash position.

Each year in the budgeting process a district can have a cash reserve levy. This levy does not increase the amount that a district can spend. It simply gives a district cash to cover the authority the state has already given. Our district has historically had a cash reserve levy but until recently the levy was not always high enough to cover the cash needs of the district. The Board of Education took steps during the 2007-2008 budget process that is completed by April 15, 2007 to increase the cash reserve levy. This was done to improve the District's solvency ratio and to reduce the amount of borrowing needed for cash flow purposes. Their actions were successful. The Board of Education decided to maintain the higher cash reserve levy in the budget process for 2008-2009 to move to a healthier not just positive solvency ratio and to work towards eliminating the need to borrow for cash flow purposes.

Figure A-6
Solvency Ratio History (General Fund)

	2008	2007
Solvency Ratio	0.71%	-5.57%
Unreserved Fund Balance	\$ 38,678	\$ (269,631)
Revenues	\$ 5,454,141	\$ 4,842,381

General fund revenues increased \$611,760 to total \$5,454,141 for FY 2008. There are two main reasons for the increase in revenues. First, the increase in the cash reserve levy increased local property taxes collected. Secondly, the State of Iowa made significant increases to Teacher Quality funding to increase the average wages of teachers within the state.

General fund expenditures increased by \$167,255 to total \$5,175,320 for FY 2008. The District had taken steps to minimize the increase in expenditures including staffing changes through attrition and reductions. The efforts were needed as the preceding two fiscal years had both experienced expenditures being higher than revenues. This was not a situation that could be maintained over a long period of time. The district not only managed to balance expenditures with revenues but managed to an excess of \$278,821 of revenues over expenditures compared to a deficiency of \$165,684 for fiscal 2007. The district continues to closely monitor expenditures and revenues closely because as noted earlier the increased revenue from the cash reserve levy does not give the district additional spending authority. There must be a constant balance between cash flow and spending authority.

Student Activity Fund – The Student Activity Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student related cocurricular or extracurricular activities. Money in this fund shall be used to support only the cocurricular program defined in Department of Education Administrative Rules. The Activity fund should not be used as a clearing account for another fund.”

The Student Activity Fund Balance increased by \$2,964 to end the year with a fund balance of \$78,416. Multiple sub-accounts comprise the Student Activity Fund. A breakdown is included in the supplemental information of the report. The athletic accounts have been combined into one account for reporting purposes. Some sub-accounts had increased while others decreased. There was a significant increase in both revenue and expenditures. Revenues increased \$87,792 to \$343,406 and expenditures increased \$71,529 to \$337,140. These increases can be attributed to multiple teams competing at state including football and basketball teams.

Management Fund – The Management Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“A special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code section 298.4. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of liability insurance and judgments or settlements relating to liability. This fund is used to account for moneys from the levy for unemployment benefits, liability insurance, non-benefit insurance agreements, early retirement benefits, and the costs of a judgment. This fund cannot be used for employee health, life or disability insurance, even if the district is self-insured.”

There was an increase of \$40,525 in unreserved, undesignated, fund balance for the Management fund for an ending balance of \$101,147. This increase was due to a significant decrease in premium for property/liability insurance and the potential for early retirement under the District's previous early retirement policy that included the possibility of lump sum pay outs. The policy has been revised and no longer includes lump sum payments. The District must continue monitor the fund balance to ensure that there are adequate funds available to cover insurance expenditures as well as current and potential early retirement expenditures. This year's ending fund balance is very healthy.

Physical, Plant & Equipment Fund – The Physical, Plant & Equipment Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“A special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code Section 298.2. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the cost of specified major expenditures related to real property and equipment. This fund is used to account for moneys from the levy for facilities, grounds, and certain equipment.”

Currently the district only uses the Board Certified 33 cent levy as revenue. This year the ending fund balance for the Physical, Plant & Equipment fund was \$176,690. The dramatic increase from -\$23,501 for fiscal 2007 is due to a board resolution. Following the payoff of the bonds on the high school building, funds remained in the debt servicing fund. The Board made a resolution to transfer the funds from the debt service fund to PPEL as allowed by the Code of Iowa.

Capital Projects Funds – Capital Project Funds are described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

"These funds are used to account for financial resources to be used to acquire or construct major capital facilities (other than those of Proprietary funds and trust funds). The most common source of capital projects funding is the sale of bonds or other capital financing instruments. A separate fund may be used for each capital project or one fund may be used, supplemented by the classification Project/Reporting code."

Currently the District has two Capital Project funds. These funds have changed from fiscal 2007. The Local Option Sales Tax Fund, also known as SILO (described below) remained the same. Last year there was a fund established for the building of the fitness center. This fund has since been moved to a proprietary fund. The second fund for fiscal 2008 was created for the building of the elementary building. In this report both funds are grouped together as Capital Projects. These funds saw the greatest change throughout the year. SILO funds were used to payoff the high school bond debt early. The sale of general obligation bonds were voted on, approved, and then sold. SILO revenue bonds were also sold to cover additional cost of the elementary building not covered by the general obligation bonds. This resulted in an increase of total assets from \$2,761,179 in fiscal 2007 to \$9,288,061 for fiscal 2008. Total liabilities increased from \$2,090 in fiscal 2007 to \$485,726 in fiscal 2008. The elementary building project is expected to be completed in the fall of 2009.

Local Option Sales Tax Fund – The Local Option Sales Tax Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

"This fund is used to account for revenues received from the local option sales and services tax for school infrastructure. If a district has more than one county with a LOSST, the fund code may be supplemented by the classification Project/Reporting code used to account for all financial transactions from the local options sales and services tax for school infrastructure authorized by Iowa Code chapter 422E."

Debt Servicing Fund – The Debt Servicing Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

"This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. A district or AEA may have only one debt service fund."

Interest income and the debt levy are the main revenue sources for this fund. SILO funds were used to payoff the bonds for the high school building and were transferred to the debt service fund for the payment. The only bills paid from this fund are principal and interest payments as well as the wire fees to complete the transaction. Following payoff of the high school building funds were transferred to the PPEL fund after a Board resolution. This left the debt service fund with an ending fund balance of \$7,155.

Long Term Debt

At year-end, the District had \$9,295,000 in general obligation bonds and SILO revenue bonds outstanding.

Figure A-7
Outstanding Long-Term Debt

	2008	2007	2007-2008 % Change
General obligation bonds & notes	\$ 9,295,000	\$ 2,900,000	220.5%

Proprietary Activities

The District currently has four proprietary funds or Business Type Activities including School Nutrition Fund, Before and After School Programs' Fund, Regular Education Preschool Fund, and a Fitness Center Fund (Community Service Enterprises). Below are the descriptions from the Uniform Financial Accounting Appendix G provided by the Iowa Department of Education.

School Nutrition – “used to account for all transactions for the nutrition program authorized by Iowa Code Chapter 283A.”

Before and After School Programs – “used to account for all financial transactions for the child care program authorized by Iowa Code sections 298A.12 and 279.49. These programs are financed by categorical aid for child care programs and fees to parents or guardians. Fees shall be established pursuant to a sliding fee schedule based upon staffing costs and other expenses and a family's ability to pay.”

Regular Education Preschool – “used to account for all financial transactions for preschool programs with instructional components for students who were less than age 5 on September 15 and who are not served pursuant to an IEP. These programs are financed by categorical aid for regular education preschool programs and fees to parents or guardians.”

Community Service Enterprises (Fitness Center) – “used for community service enterprises. These are activities provided by the district for a fee to the general community or segment of the community that are not in the PERL Fund. Examples are public libraries, community pool, community wellness center, community or Adult Education.”

Schools are faced with a challenge in proprietary funds. These funds need to maintain a small operating profit or no loss while providing services that are affordable to families within the district. Currently the District's Nutrition, Before and After School Programs' and Regular Education Preschool funds have been operating with losses for multiple years. Expenses and fees charged will need to be reviewed and changed to eliminate future losses. See Figure A-3 and Figure A-4.

**Figure A-8
Capital Assets**

	Governmental Activities		Business-type Activities		Total District	
	2008	2007	2008	2007	2008	2007
Land	\$ 283,677	\$ 283,677			\$ 283,677	\$ 283,677
Construction in Progress	906,057				906,057	-
Buildings	6,486,434	6,689,183			6,486,434	6,689,183
Furniture & Equipment	2,018,073	1,964,479	431,803	231,215	2,449,876	2,195,694
Total Assets	9,694,241	8,937,339	431,803	231,215	10,126,044	9,168,554
Less Accumulated Depreciation	(3,296,482)	(3,277,154)	(188,744)	(184,563)	(3,485,226)	(3,461,717)
Net Capital Assets	\$ 6,397,759	\$ 5,660,185	\$ 243,059	\$ 46,652	\$ 6,640,818	\$ 5,706,837

	% Changes		Total District
	Governmental Activities FY07 - FY08	FY07-FY08	FY07 - FY08
Land	0.0%		0.0%
Construction in Progress			
Buildings	-3.0%		-3.0%
Furniture & Equipment	2.7%	86.6%	11.6%
Total Assets	8.5%	86.8%	10.4%
Less Accumulated Depreciation	0.6%	2.3%	0.7%

By the end of FY 2008, the district had invested \$10,126,044 in a broad range of assets including school buildings, land, athletic facilities, computer and audio-visual equipment, and vehicles. Total depreciation expense for governmental and business-type activities was \$264,745 and \$4,181 respectively. The District had started work on the new elementary building by the end of fiscal 2008. The project represents construction in progress in Figure A-8. It is expected that it will remain as a construction in progress until fiscal 2010.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The national economy has always had a great impact on State of Iowa's budget. Currently the national economic turmoil has already had a significant impact on the district. The State of Iowa passed a 1.5% across the board cut for fiscal 2009 and there is the possibility that another cut could come before the end of the fiscal year. Allowable growth for fiscal 2010 is still set at 4% but could be changed at any time while the legislature is still in session. Should allowable growth remain at 4% there is still the potential for additional funding cuts throughout 2010. How the nation recovers from this recession will impact future allowable growth rates as well as funding cuts. There is some help available to districts through the American Recovery and Reinvestment Act. The stimulus package will have funding for districts in fiscal 2009 as well as 2010. All districts are currently waiting as details of how the monies will be distributed are worked out.
- District enrollment will consistently have a tremendous impact on the District's financial future. Funding for an Iowa school is based on the District's certified enrollment, thus stable or increased enrollment is crucial to the financial health of a District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions, about this report or need additional financial information, contact Jeffrey Thelander, Superintendent, Lawton-Bronson Community School District, 100 Tara Way, Lawton, IA 51030.

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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 9,935,450	\$ 19,065	\$ 9,954,515
Receivables:			
Property Tax	39,018		39,018
Succeeding Year Property Tax	2,480,508		2,480,508
Interfund Activity	131,896	(131,896)	-
Due from Other Governments	241,113		241,113
Inventories	36,128	7,681	43,809
Prepaid Expenses	36,847	229	37,076
Bond Issue Costs	105,014		105,014
Restricted ISCAP Assets:			
Investments	673,154		673,154
Accrued Interest Receivable	8,326		8,326
Land	283,677		283,677
Construction In Progress	906,057		906,057
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,208,025	243,059	5,451,084
Total Assets	20,085,213	138,138	20,223,351
LIABILITIES			
Accounts Payable	671,854	80	671,934
Deferred Revenue - Succeeding Year Taxes	2,480,508		2,480,508
Accrued Wages and Benefits	488,086	17,146	505,232
Accrued Interest Payable	51,832		51,832
ISCAP Liabilities:			
ISCAP Warrants Payable	671,000		671,000
ISCAP Unamortized Premium	3,593		3,593
ISCAP Accrued Interest Payable	10,931		10,931
Noncurrent Liabilities:			
Due Within One Year:			
Bonds Payable	240,000		240,000
Accrued Early Retirement	16,800		16,800
Due in More Than One Year:			
Bonds Payable	9,055,000		9,055,000
Bond Premium	79,294		79,294
Accrued Early Retirement	68,680		68,680
Total Liabilities	13,837,578	17,226	13,854,804
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	5,412,408	243,059	5,655,467
Restricted for:			
Physical Plant and Equipment Levy	176,690		176,690
Management Levy	32,467		32,467
Other Special Revenue Purposes	78,416		78,416
Unrestricted	547,654	(122,147)	425,507
Total Net Assets	\$ 6,247,635	\$ 120,912	\$ 6,368,547

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 2,540,864	\$ 327,761	\$ 332,360	
Special Programs	614,365	90,613	203,287	
Vocational	133,936		4,066	
Co-curricular	448,070	338,668		
Support Services:				
Student Support	147,969			
Instructional Staff Support	171,789			
General Administration	397,168			
Building Administration	272,597			
Business Administration	150,043			
Operations and Maintenance	468,422	4,250		
Student Transportation	325,445	3,184		
Facilities Acquisition:				
Building Improvement Services	27,823			
Construction Services	47,769			\$ 31,550
Debt Service:				
Services	40			
Interest	140,619			
Intergovernmental:				
AEA Flowthrough	210,904		210,904	
Total governmental activities	<u>6,097,823</u>	<u>764,476</u>	<u>750,617</u>	<u>31,550</u>
Business Type Activities:				
School Nutrition Fund	310,799	165,318	90,062	
Preschool	14,960	7,503		
Fitness Center Fund	27,913	20,746		
Before and After the Bell	60,733	51,267		
Total business type activities	<u>414,405</u>	<u>244,834</u>	<u>90,062</u>	<u>-</u>
Total School District	<u>\$ 6,512,228</u>	<u>\$ 1,009,310</u>	<u>\$ 840,679</u>	<u>\$ 31,550</u>
General Revenues:				
Property Taxes				
Other Taxes				
Unrestricted Investment Earnings				
Unrestricted State Grants				
Miscellaneous				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment				
Net assets - beginning (as restated)				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,880,743)		\$ (1,880,743)
(320,465)		(320,465)
(129,870)		(129,870)
(109,402)		(109,402)
(147,969)		(147,969)
(171,789)		(171,789)
(397,168)		(397,168)
(272,597)		(272,597)
(150,043)		(150,043)
(464,172)		(464,172)
(322,261)		(322,261)
(27,823)		(27,823)
(16,219)		(16,219)
(40)		(40)
(140,619)		(140,619)
-		-
<u>(4,551,180)</u>		<u>(4,551,180)</u>
	\$ (55,419)	(55,419)
	(7,457)	(7,457)
	(7,167)	(7,167)
	(9,466)	(9,466)
<u>-</u>	<u>(79,509)</u>	<u>(79,509)</u>
<u>(4,551,180)</u>	<u>(79,509)</u>	<u>(4,630,689)</u>
2,305,332	-	2,305,332
480,979	-	480,979
221,461	1,496	222,957
2,414,184	-	2,414,184
24,778	-	24,778
(204,593)	204,593	-
<u>5,242,141</u>	<u>206,089</u>	<u>5,448,230</u>
690,961	126,580	817,541
5,371,467	(5,668)	5,365,799
185,207	-	185,207
<u>5,556,674</u>	<u>(5,668)</u>	<u>5,551,006</u>
<u>\$ 6,247,635</u>	<u>\$ 120,912</u>	<u>\$ 6,368,547</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET

Governmental Funds

JUNE 30, 2008

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments	\$ 340,782	\$ 9,194,260	\$ 274	\$ 400,134	\$ 9,935,450
Receivables:					
Property Tax	29,173		6,881	2,964	39,018
Succeeding Year Property Tax	1,834,523		547,283	98,702	2,480,508
Due from Other Funds	130,355	20,379			150,734
Due from Other Governments	167,691	73,422			241,113
Investment Interest	36,128				36,128
Prepaid Expenses	35,247			1,600	36,847
Restricted ISCAP Assets:					
Investments	673,154				673,154
Accrued Interest Receivable	8,326				8,326
Total Assets	<u>3,255,379</u>	<u>9,288,061</u>	<u>554,438</u>	<u>503,400</u>	<u>13,601,278</u>
Liabilities and Equity					
Payables:					
Accounts Payable	173,321	485,426		13,107	671,854
Due to Other Funds		300		18,538	18,838
Deferred Revenue:					
Succeeding Year Property Tax	1,834,523		547,283	98,702	2,480,508
Accrued Wages and Benefits	488,086				488,086
Accrued Early Retirement				16,800	16,800
ISCAP Liabilities:					
ISCAP Warrants Payable	671,000				671,000
ISCAP Unamortized Premium	3,593				3,593
ISCAP Accrued Interest Payable	10,931				10,931
Total Liabilities	<u>3,181,454</u>	<u>485,726</u>	<u>547,283</u>	<u>147,147</u>	<u>4,361,610</u>
Fund Balances:					
Reserved for Debt Service			7,155		7,155
Reserved for Capital Projects		8,373,985			8,373,985
Reserved for Prepaid Expenses	35,247			1,600	36,847
Unreserved for:					
General Fund	38,678				38,678
Special Revenue Fund				354,653	354,653
Capital Project Fund		428,350			428,350
Total Fund Balances	<u>73,925</u>	<u>8,802,335</u>	<u>7,155</u>	<u>356,253</u>	<u>9,239,668</u>
Total Liabilities and Equity	<u>\$ 3,255,379</u>	<u>\$ 9,288,061</u>	<u>\$ 554,438</u>	<u>\$ 503,400</u>	<u>\$ 13,601,278</u>

See Accompanying Notes to Financial Statements

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 20)	\$ 9,239,668
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,397,759
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(51,832)
Deferred charges, including bond issue costs and bond premiums, are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	25,720
Long-term liabilities, including bonds payable and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,363,680)</u>
Total Net Assets - Governmental Activities (page 17)	<u><u>\$ 6,247,635</u></u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2008

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenue:					
Local Sources:					
Local Tax	\$ 1,723,609	\$ 480,979	\$ 406,561	\$ 175,162	\$ 2,786,311
Tuition	382,909				382,909
Other	188,702	113,465	3,185	355,525	660,877
State Sources	3,022,660				3,022,660
Federal Sources	136,261				136,261
Total Revenue	5,454,141	594,444	409,746	530,687	6,989,018
Expenditures:					
Governmental Activities:					
Instruction:					
Regular	2,509,918				2,509,918
Special Programs	614,365				614,365
Vocational	133,936				133,936
Co-curricular	106,875			337,140	444,015
Support Services:					
Student Support	147,969				147,969
Instructional Staff Support	171,789				171,789
General Administration	151,059			73,597	224,656
School Administration	272,597				272,597
Business Administration	150,043				150,043
Operations and Maintenance	410,904			40,113	451,017
Student Transportation	294,961			7,457	302,418
Other Expenditures					
Facilities Acquisition:					
Building Improvement Services		27,823			27,823
Construction Services		1,016,332		3,912	1,020,244
Equipment		53,046			53,046
Debt Service:					
Services		96,700	40		96,740
Principal			2,900,000		2,900,000
Interest			100,533		100,533
Intergovernmental:					
AEA Flowthrough	210,904				210,904
Total Expenditures	5,175,320	1,193,901	3,000,573	462,219	9,832,013
Excess (Deficiency) of Revenues Over Expenditures	278,821	(599,457)	(2,590,827)	68,468	(2,842,995)
Other Financing Sources (Uses):					
Operating Transfers In			2,732,055	181,111	2,913,166
Operating Transfers Out		(2,732,757)	(180,409)	(5,899)	(2,919,065)
Issuance of Debt		9,295,000			9,295,000
Bond Premium		80,460			80,460
Sale of Equipment & Material	4,359				4,359
Total Other Financing Sources (Uses)	4,359	6,642,703	2,551,646	175,212	9,373,920
Net Change in Fund Balances	283,180	6,043,246	(39,181)	243,680	6,530,925
Fund Balances-Beginning of Year	(209,255)	2,759,089	46,336	112,573	2,708,743
Fund Balances-End of Year	\$ 73,925	\$ 8,802,335	\$ 7,155	\$ 356,253	\$ 9,239,668

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ 6,530,925
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	1,015,806	
Depreciation expense	<u>(264,745)</u>	
		751,061

Transfer of capital asset from governmental activities to business-type activities.	(198,694)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(9,295,000)	
Repaid	<u>2,900,000</u>	
		(6,395,000)

The effect of bond issue costs when new debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities	105,014
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The effect of bond premiums when new debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities	(79,294)
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Accrued interest expense not reported on the modified accrual basis	(39,851)
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Accrued early retirement not reported on the modified accrual basis	<u>16,800</u>
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Change in net assets of governmental activities (page 19)	<u><u>\$ 690,961</u></u>
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

Enterprise Funds

June 30, 2008

	Business Type Activities		
	School Nutrition Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets			
Cash and Pooled Investments	\$ 17,559	\$ 1,506	\$ 19,065
Due from Other Funds		892	892
Inventories	7,681		7,681
Prepaid Expenses		229	229
Property and Equipment, Net of Accumulated Depreciation	48,420	194,639	243,059
Total Assets	73,660	197,266	270,926
Liabilities			
Accounts Payable		80	80
Due to Other Funds	89,777	43,011	132,788
Accrued Wages and Benefits	17,146		17,146
Total Liabilities	106,923	43,091	150,014
Net Assets			
Invested in Capital Assets	48,420	194,639	243,059
Unrestricted	(81,683)	(40,464)	(122,147)
Total Net Assets	\$ (33,263)	\$ 154,175	\$ 120,912

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2008

	Business Type Activities		
	School Nutrition Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues:			
Sales of lunches and breakfasts:			
Students	\$ 142,559		\$ 142,559
Adults	8,395		8,395
A la carte	55		55
Tuition and Fees		\$ 65,891	65,891
Miscellaneous	14,309	13,625	27,934
Total Operating Revenue	165,318	79,516	244,834
Operating Expenses:			
Salaries	138,334	63,123	201,457
Benefits	27,612	11,268	38,880
Supplies	141,286	7,400	148,686
Other	3,441	17,760	21,201
Depreciation	126	4,055	4,181
Total Operating Expenses	310,799	103,606	414,405
Operating (Loss)	(145,481)	(24,090)	(169,571)
Non-Operating Revenues :			
Interest Income	958	538	1,496
State Lunch and Breakfast Program Claims	3,488		3,488
National School Lunch Program	63,684		63,684
Federal Food Commodities Received	22,890		22,890
Total Non-Operating Revenues	91,020	538	91,558
(Loss) Before Contributions and Transfers	(54,461)	(23,552)	(78,013)
Capital Contributions		198,694	198,694
Transfers In	1,895	4,004	5,899
Change in Net Assets	(52,566)	179,146	126,580
Net Assets-beginning	19,303	(24,971)	(5,668)
Net Assets-ending	\$ (33,263)	\$ 154,175	\$ 120,912

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Enterprise Funds
For the Year Ended June 30, 2008

	Business Type Activities		
	School Nutrition Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 151,009	\$ 65,891	\$ 216,900
Cash received from miscellaneous operating activities	14,309	13,625	27,934
Cash payments to employees for services	(164,646)	(76,860)	(241,506)
Cash payments to suppliers for goods and services	(119,539)	(25,080)	(144,619)
Total cash used by operating activities	(118,867)	(22,424)	(141,291)
Cash flows from noncapital financing activities:			
Due To Other Funds	51,384	19,388	70,772
State grants received	3,488	-	3,488
Federal grants received	63,684	-	63,684
Operating Transfers	1,895	4,004	5,899
Net cash provided by noncapital financing activities	120,451	23,392	143,843
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,894)	-	(1,894)
Cash flows from investing activities:			
Interest on investments	958	538	1,496
Net increase in cash and pooled investments	648	1,506	4,048
Cash and pooled investments - beginning of year	16,911	-	16,911
Cash and pooled investments - end of year	17,559	1,506	20,959
Reconciliation of operating loss to net cash used in operating activities:			
Operating Loss	(145,481)	(24,090)	(169,571)
Depreciation Expense	126	4,055	4,181
Commodities used	22,890	-	22,890
Change in assets and liabilities:			
Decrease in inventory	2,459	-	2,459
Increase (decrease) in accounts payable	(161)	80	(81)
Increase (decrease) in accrued wages and benefits	1,300	(2,469)	(1,169)
Net cash used in operating activities	\$ (118,867)	\$ (22,424)	\$ (141,291)
Supplemental schedule of noncash noncapital financing activities:			
Federal food commodities received	\$ 22,890	\$ -	\$ 22,890
Supplemental schedule of noncash capital and related financing activities:			
Contribution of fixed assets	\$ -	\$ 198,694	\$ 198,694

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and Temporary Cash Investments	<u>\$ 38,404</u>
NET ASSETS:	<u>\$ 38,404</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local Sources:	
Gifts and Contributions	\$ 1,450
Interest Income	<u>963</u>
Total Additions	2,413
Deductions:	
Support Services:	
Scholarships Awarded	<u>2,900</u>
Change in Net Assets	(487)
Net Assets - Beginning of Year	<u>38,891</u>
Net Assets - End of Year	<u><u>\$ 38,404</u></u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The Lawton-Bronson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic areas served include the cities of Lawton and Bronson, Iowa, and the predominant agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements -- The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The School Nutrition Fund accounts for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2008 included certificates of deposits of \$6,855,972 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 for governmental capital assets and \$500 for proprietary capital assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 – 20

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

Note 2 – Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had the following investments:

		<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust		<u>\$ 2,031,694</u>
	<u>Credit Risk</u>	<u>Fair Value</u>
ISCAP – Guaranteed Interest Contract	Not Rated	<u>\$ 673,154</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 3 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 17,646
General	Enterprise – School Nutrition	69,398
General	Nonmajor Enterprise	43,011
Nonmajor Enterprise	Nonmajor Governmental	892
Capital Projects	Enterprise – School Nutrition	20,379
General	Capital Projects	300
		<u>\$ 151,626</u>

Note 4 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor Governmental	Capital Projects	\$ 702
Debt Service	Capital Projects	2,732,055
Enterprise – School Nutrition	Nonmajor Governmental	1,895
Nonmajor Enterprise	Nonmajor Governmental	4,004
Nonmajor Governmental	Debt Service	180,409
		<u>\$ 2,919,065</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Business-type Activities	Governmental Activities	<u>\$ 198,694</u> *

* Transfer was recorded to account for the transfer of capital assets from the general government to the Fitness Center, a nonmajor enterprise fund.

Note 5 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of the special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$210,904 for the year ended June 30, 2008, and is recorded in the General Fund.

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 6 – Capital Assets (Continued)

	Balance July 1, 2007 (as restated)	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 283,677	\$ -	\$ -	\$ 283,677
Construction in Progress	-	906,057	-	906,057
Total capital assets not being depreciated	283,677	906,057	-	1,189,734
Capital assets being depreciated:				
Buildings	6,689,183	-	202,749	6,486,434
Furniture and Equipment	1,964,479	109,749	56,155	2,018,073
Total capital assets being depreciated	8,653,662	109,749	258,904	8,504,507
Less accumulated depreciation for:				
Buildings	1,687,831	134,798	4,055	1,818,574
Furniture and Equipment	1,404,116	129,947	56,155	1,477,908
Total accumulated depreciation	3,091,947	264,745	60,210	3,296,482
Total capital assets being depreciated, net	5,561,715	(154,996)	198,694	5,208,025
Governmental activities capital assets, net	\$ 5,845,392	\$ 751,061	\$ 198,694	\$ 6,397,759
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-Type Activities:				
Furniture and Equipment	\$ 231,215	\$ 200,588	\$ -	\$ 431,803
Less accumulated depreciation	184,563	4,181	-	188,744
Business-type activities capital assets, net	\$ 46,652	\$ 196,407	\$ -	\$ 243,059

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:	
Regular	\$ 30,946
Co-curricular	4,055
Support Services:	
General Administration	189,312
Operations and Maintenance	17,405
Transportation	23,027

Total depreciation expense – governmental activities \$ 264,745

Business-Type Activities:

Food Service Operations	<u>\$ 4,181</u>
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 6 – Capital Assets (Continued)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities
Land	\$ 283,677	\$ -
Construction in Progress	906,057	-
Capital Assets (net of accumulated depreciation)	5,208,025	243,059
Less: Bonds Payable	(906,057)	-
Bond Premium	(79,294)	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 5,412,408</u>	<u>\$ 243,059</u>

Note 7 – Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. The District's rate for the years ended June 30, 2007 and 2006 was 5.75%. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$186,054, \$165,968, and \$148,325 respectively, equal to the required contributions for each year.

Note 8 – Other Post Employment Benefits

Certified employees retiring with at least 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. The benefits are funded on a pay as you go basis. The district paid \$19,480 in benefits during the year ended June 30, 2008. There are currently 8 participants receiving benefits.

Note 9 – Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Capital Loan Notes	\$ 2,900,000	\$ 7,280,000	\$ 2,900,000	\$ 7,280,000	\$ 240,000
LOST Revenue Bonds	-	2,015,000	-	2,015,000	-
Accrued Early Retirement	104,960	-	19,480	85,480	16,800
Total	<u>\$ 3,004,960</u>	<u>\$ 9,295,000</u>	<u>\$ 2,919,480</u>	<u>\$ 9,380,480</u>	<u>\$ 256,800</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 9 – Long-Term Liabilities (Continued)

General Obligation Bonds

The District issued general obligation capital loan notes to provide funds for the acquisition and construction of a new elementary school building. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2008 are as follows:

Purpose

	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities – GO School Bonds Series 2008	4.15 – 4.45%	\$7,280,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 240,000	\$ 307,283	\$ 547,283
2010	250,000	297,323	547,323
2011	260,000	286,947	546,947
2012	270,000	276,158	546,158
2013	280,000	264,952	544,952
2014 – 2018	1,595,000	1,139,465	2,734,465
2019 – 2023	1,960,000	779,868	2,739,868
2024 – 2028	2,425,000	327,887	2,752,887
Totals	\$ 7,280,000	\$ 3,679,883	\$ 10,959,883

Revenue Bonds

The District has pledged future local option sales and services tax revenues to repay the LOST revenue bonds issued in the current fiscal year. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of a new school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the note is \$2,473,023. For the current year, no principal and interest was paid on the bonds and total local option sales and services tax revenues were \$480,979.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. \$201,500 of the proceeds from the issuance of revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 9 – Long-Term Liabilities (Continued)

3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year.
4. Any monies remaining in the Revenue Account after the required transfer of the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2008. The required Reserve Account was not established by the District.

Revenue bonds as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities – LOST Revenue Bonds	2.8 – 4.125%	<u>\$2,015,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ -	\$ 55,378
2010	170,000	70,115
2011	175,000	65,110
2012	185,000	59,502
2013	190,000	53,289
2014-2018	1,060,000	154,629
2019	235,000	4,847
Total	<u>\$ 2,015,000</u>	<u>\$ 458,023</u>

Note 10 – Operating Leases

The District is committed under seven non-cancelable operating leases for copiers. Future minimum operating lease commitments are as follows:

<u>Ending June 30</u>	<u>Total</u>
2009	\$ 17,306
2010	14,763
2011	10,247
2012	5,847
2013	<u>4,385</u>
Totals	<u>\$ 52,548</u>

Rent expenditures were \$24,200 for the year ended June 30, 2008.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 11 – Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A. is the trustee for the program.

A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-2008B	1/23/08	1/23/09	\$ 673,154	\$ 8,326	\$ 671,000	\$ 10,931
Totals			\$ 673,154	\$ 8,326	\$ 671,000	\$ 10,931

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006 – 2007 B	\$ -	\$ 235,000	\$ 235,000	\$ -
2007 – 2008 A	-	800,000	800,000	-
2007 – 2008 B	-	325,000	325,000	-
	\$ -	\$ 1,360,000	\$ 1,360,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007 – 2008 A	4.50%	5.448%
2007 – 2008 B	3.75%	3.451%

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 13 – Commitments

The District has entered into a contract for the construction of a new elementary school building. The original contract of \$9,338,090 was reduced by \$738,232 due to change orders. As of June 30, 2008, costs of \$390,322 had been incurred against the contract. The balance of \$8,209,537 remaining at June 30, 2008 will be paid as work on the project progresses.

The District has entered into a contract for the dirtwork for the new elementary school building. The original contract of \$597,685 was increased by \$4,901 due to change orders. As of June 30, 2008, costs of \$47,549 had been incurred against the contract. The balance of \$555,037 remaining at June 30, 2008 will be paid as work on the project progresses.

The District has entered into a contract for the purchase of a school bus. The original contract is \$79,652 which remains at June 30, 2008.

Note 14 – Prior Period Adjustment

During the year it was discovered that the accumulated depreciation for Governmental Activities on the Government-Wide Statement of Net Assets was overstated by \$185,207.

The effect of this correction is as follows:

	Government-Wide Governmental Activities
Beginning Fund Balance as previously reported	\$ 5,371,467
Prior Period Adjustment for accumulated depreciation	<u>185,207</u>
Beginning Fund Balance as restated	<u><u>\$ 5,556,674</u></u>

Note 15 – Reclassifications of a General Nature

Certain amounts presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income or fund balance.

Note 16 – Deficit Fund Balances

The following funds had a deficit fund balance at June 30, 2008:

Enterprise – School Nutrition	\$ 33,263
Enterprise – Preschool	24,157
Enterprise – Before and After the Bell	17,199

These deficits will be funded by future charges for services.

REQUIRED SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances-
Budget and Actual (GAAP Basis)-
All Governmental Funds and Proprietary Funds
Year Ended June 30, 2008

	Budgeted Amounts		Governmental	Proprietary	Total	Variance
	Original	Amended	Funds Actual	Funds Actual	Actual	with Budget Favorable (Unfavorable)
Receipts:						
Local Sources	\$ 3,375,114	\$ 3,375,114	\$ 3,830,097	\$ 246,330	\$ 4,076,427	\$ 701,313
State Sources	2,979,344	2,979,344	3,022,660	3,488	3,026,148	46,804
Federal Sources	293,000	293,000	136,261	86,574	222,835	(70,165)
Total Revenues	6,647,458	6,647,458	6,989,018	336,392	7,325,410	677,952
Expenditures:						
Instruction	3,640,000	3,640,000	3,702,234	-	3,702,234	(62,234)
Support Services	1,815,500	1,815,500	1,720,489	-	1,720,489	95,011
Non-Instructional Programs	405,000	405,000	-	414,405	414,405	(9,405)
Other Expenditures	3,128,248	4,628,248	4,409,290	-	4,409,290	218,958
Total Expenditures	8,988,748	10,488,748	9,832,013	414,405	10,246,418	242,330
Excess (Deficiency) of Revenues Over Expenditures	(2,341,290)	(3,841,290)	(2,842,995)	(78,013)	(2,921,008)	920,282
Other Financing Sources						
Operating Transfers In	-	-	2,913,166	5,899	2,919,065	2,919,065
Operating Transfers Out	-	-	(2,919,065)	-	(2,919,065)	(2,919,065)
Issuance of Debt	-	-	9,295,000	-	9,295,000	9,295,000
Bond Premium	-	-	80,460	-	80,460	80,460
Contribution of Fixed Assets	-	-	-	198,694	198,694	198,694
Sale of Equipment & Material	-	-	4,359	-	4,359	4,359
Total Other Financing Sources	-	-	9,373,920	204,593	9,578,513	9,578,513
Net Change in Fund Balances	(2,341,290)	(3,841,290)	6,530,925	126,580	6,657,505	10,498,795
Fund Balance/Retained Earnings Beginning of Year	2,703,075	2,703,075	2,708,743	(5,668)	2,703,075	-
Fund Balance/Retained Earnings End of Year	\$ 361,785	\$ (1,138,215)	\$ 9,239,668	\$ 120,912	\$ 9,360,580	\$ 10,498,795

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reporting
Year Ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,500,000.

During the year ended June 30, 2008, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

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OTHER SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2008

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax \$ 1,723,609

Other Local Sources:

Interest on Investments 129,685

Tuition from Other Districts 382,909

Miscellaneous 59,017

571,611

2,295,220

State Sources:

Foundation Aid-District's Share 2,431,547

Experienced Teacher Compensation 173,486

Educational Excellence Program:

Phase I 30,604

Phase II 50,874

Teacher Quality 22,115

Non-Public Transportation Aid 14,061

Vocational Education Aid 4,066

Iowa Early Intervention Block Grant 31,018

Medicaid Reimbursement 40,934

AEA Flow-Through 210,904

Other 13,051

3,022,660

Federal Sources:

Title I Grants to Local Educational Agencies 32,111

Safe and Drug Free Schools and Communities 1,465

Innovative Education Program Strategies (Title VI Program) 770

Rural Education Achievement Program 38,165

Transition Alliance Program 33,780

Other 29,970

136,261

5,454,141

Total Revenue

Expenditures:

Instruction:

Regular Program Instruction:

Salaries 1,586,895

Employee Benefits 458,656

Contractual Services 351,415

General Supplies 97,530

Equipment 6,924

Other 8,498

\$ 2,509,918

(continued)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2008

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Education Instruction:

Salaries	\$ 342,138
Employee Benefits	76,694
Contractual Services	177,569
General Supplies	9,247
Equipment	329
Other	8,388
	<u>614,365</u>

Vocational Program Instruction:

Salaries	96,096
Employee Benefits	32,582
Contractual Services	517
General Supplies	4,389
Other	352
	<u>133,936</u>

Co-Curricular Program Instruction and Sports:

Salaries	92,021
Employee Benefits	12,311
Other	2,543
	<u>106,875</u>
Total Instruction	<u><u>3,365,094</u></u>

Support Services:

Student Services:

Guidance Services

Salaries	48,308
Employee Benefits	13,460
Contractual Services	30,925
General Supplies	426
	<u>93,119</u>

Health Services

Salaries	39,004
Employee Benefits	11,981
Contractual Services	818
General Supplies	2,255
Equipment	582
Other	210
	<u>54,850</u>

Total Student Support Services

\$ 147,969

(continued)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2008

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Instructional Staff Services

Educational Media Services:

Salaries	\$ 102,346
Employee Benefits	26,206
Contractual Services	498
General Supplies	18,070
Equipment	24,369
Other	300
	<u>171,789</u>

Administration Services:

General Administration:

Salaries	101,246
Employee Benefits	37,750
Contractual Services	7,808
General Supplies	860
Equipment	1,392
Other	2,003
	<u>151,059</u>

School Administrative Services

Salaries	187,980
Employee Benefits	64,910
Contractual Services	12,157
General Supplies	6,027
Equipment	37
Other	1,486
	<u>272,597</u>

Business Administration:

Salaries	39,607
Employee Benefits	11,899
Contractual Services	27,660
General Supplies	133
Equipment	1,249
Interest Expense	64,906
Other	4,589
	<u>150,043</u>

Total Administration Services:

\$ 573,699

(continued)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2008

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Operation and Maintenance Services:

Salaries	\$ 147,198
Employee Benefits	54,412
Contractual Services	37,134
General Supplies	159,784
Equipment	11,897
Other	479
	<u>410,904</u>

Student Transportation:

Salaries	137,466
Employee Benefits	27,285
Contractual Services	33,834
General Supplies	92,862
Equipment	1,595
Other	1,919
	<u>294,961</u>

Total Support Services

1,451,353

Other Expenditures:

AEA Flow-Through	<u>210,904</u>
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Total Expenditures

5,175,320

Excess of Revenues Over Expenditures

278,821

Other Financing Sources:

Sale of Equipment & Material	<u>4,359</u>
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Excess of Revenues and other Sources Over Expenditures

283,180

Fund Balance (Deficit) - Beginning of Year

(209,255)

Fund Balance - End of Year

\$ 73,925

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

Schedule 2

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and Pooled Investments	\$ 114,143	\$ 95,321	\$ 190,670	\$ 400,134
Receivables:				
Property Tax	2,204		760	2,964
Succeeding Year	50,000		48,702	98,702
Prepaid Expenses	1,600			1,600
Total Assets	<u>167,947</u>	<u>95,321</u>	<u>240,132</u>	<u>503,400</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable		13,107		13,107
Due to Other Funds		3,798	14,740	18,538
Deferred Revenue:				
Succeeding Year Property Tax	50,000		48,702	98,702
Accrued Early Retirement	16,800			16,800
Total Liabilities	<u>66,800</u>	<u>16,905</u>	<u>63,442</u>	<u>147,147</u>
Fund Balances:				
Reserved for:				
Prepaid Expenses	1,600			1,600
Unreserved Fund Balances				
Special Revenue Fund	99,547	78,416	176,690	354,653
Total Fund Balances	<u>101,147</u>	<u>78,416</u>	<u>176,690</u>	<u>356,253</u>
Total Liabilities and Fund Balances	<u>\$ 167,947</u>	<u>\$ 95,321</u>	<u>\$ 240,132</u>	<u>\$ 503,400</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2008

Schedule 3

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local Sources:				
Local Tax	\$ 130,244		\$ 44,918	\$ 175,162
Other	11,666	\$ 343,406	453	355,525
Total Revenues	141,910	343,406	45,371	530,687
Expenditures:				
Current:				
Instruction:				
Other		337,140		337,140
Support Services:				
Administration	73,597			73,597
Operation and Maintenance of Plant	21,846		18,267	40,113
Transportation	5,942		1,515	7,457
Other Expenditures:				
Facilities Acquisition and Construction			3,912	3,912
Total Expenditures	101,385	337,140	23,694	462,219
Excess (Deficiency) of Revenues Over Expenditures	40,525	6,266	21,677	68,468
Other Financing Sources (Uses):				
Operating Transfers In		702	180,409	181,111
Operating Transfers Out		(4,004)	(1,895)	(5,899)
Total Other Financing Sources (Uses)	-	(3,302)	178,514	175,212
Net Change in Fund Balances	40,525	2,964	200,191	243,680
Fund Balances (Deficits) - Beginning of Year	60,622	75,452	(23,501)	112,573
Fund Balances - End of Year	\$ 101,147	\$ 78,416	\$ 176,690	\$ 356,253

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets

Nonmajor Enterprise Funds

June 30, 2008

Schedule 4

	Business-Type Activities			
	Preschool	Fitness Center	Before and After the Bell	Total
Assets:				
Cash and Pooled Investments	\$ 19		\$ 1,487	\$ 1,506
Due from Other Funds		\$ 892		892
Prepaid Expenses	229			229
Property Plant and Equipment, Net of Accumulated Depreciation		194,639		194,639
Total Assets	248	195,531	1,487	197,266
Liabilities:				
Accounts Payable			80	80
Due to Other Funds	24,405		18,606	43,011
Total Liabilities	24,405	-	18,686	43,091
Net Assets:				
Invested in Capital Assets Net of Related Debt		194,639		194,639
Unrestricted	(24,157)	892	(17,199)	(40,464)
Total Net Assets	\$ (24,157)	\$ 195,531	\$ (17,199)	\$ 154,175

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses

and Changes in Net Assets

Nonmajor Enterprise Funds

For the Year Ended June 30, 2008

Schedule 5

	Business Type Activities			
	Preschool	Fitness Center	Before and After the Bell	Total
Operating Revenues:				
Charges for Services	\$ 7,503	\$ 8,491	\$ 49,897	\$ 65,891
Other		12,255	1,370	13,625
Total Operating Revenues	7,503	20,746	51,267	79,516
Operating Expenses:				
Salaries	10,724		52,399	63,123
Benefits	4,236		7,032	11,268
Supplies		6,359	1,041	7,400
Other		17,499	261	17,760
Depreciation		4,055		4,055
Total Operating Expenses	14,960	27,913	60,733	103,606
Operating (Loss)	(7,457)	(7,167)	(9,466)	(24,090)
Non-Operating Income:				
Interest Income	118		420	538
Total Non-Operating Income	118	-	420	538
(Loss) Before Contributions and Transfers	(7,339)	(7,167)	(9,046)	(23,552)
Capital Contributions		198,694		198,694
Operating Transfer In		4,004		4,004
Change in Net Assets	(7,339)	195,531	(9,046)	179,146
Net Assets - Beginning of Year	(16,818)	-	(8,153)	(24,971)
Net Assets - End of Year	\$ (24,157)	\$ 195,531	\$ (17,199)	\$ 154,175

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

Schedule 6

	Business-Type Activities			
	Preschool	Fitness Center	Before and After The Bell	Total
Cash flows from operating activities:				
Cash received from customers	\$ 7,503	\$ 8,491	\$ 49,897	\$ 65,891
Cash received from miscellaneous operating activities		12,255	1,370	13,625
Cash payments to employees for services	(17,429)		(59,431)	(76,860)
Cash payments to suppliers for goods and services		(23,858)	(1,222)	(25,080)
Total cash used by operating activities	(9,926)	(3,112)	(9,386)	(22,424)
Cash flows from noncapital financing activities:				
Due From Other Funds	9,827	(892)	10,453	19,388
Operating Transfers		4,004		4,004
Net cash provided by noncapital financing activities	9,827	3,112	10,453	23,392
Cash flows from investing activities:				
Interest on investments	118	-	420	538
Net increase in cash and pooled investments	19	-	1,487	1,506
Cash and pooled investments - beginning of year	-	-	-	-
Cash and pooled investments - end of year	19	-	1,487	1,506
Reconciliation of operating loss to net cash used in operating activities:				
Operating (Loss)	(7,457)	(7,167)	(9,466)	(24,090)
Depreciation Expense	-	4,055	-	4,055
Change in assets and liabilities:				
Increase in accounts payable	-	-	80	80
(Decrease) in accrued wages and benefits	(2,469)	-	-	(2,469)
Net cash used in operating activities	(9,926)	(3,112)	(9,386)	(22,424)
Supplemental schedule of noncash capital and related financing activities:				
Capital Contributions	\$ -	\$ 198,694	\$ -	\$ 198,694

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2008

					Schedule 7
	Balance June 30, 2007	Revenues	Expenditures	Operating Transfers	Balance June 30, 2008
Dollars for Scholars	\$ 3,448	\$ 6,262	\$ 8,195		\$ 1,515
Elementary Yearbook	4,320	1,844	1,874		4,290
Student Council	1,301	4,418	4,658		1,061
Industrial Technology	1,155	3,031	3,153		1,033
Unreserved	1	663	663		1
Drama and Speech	268		50		218
JEL	124	2,514	2,154		484
Soup and Pie Supper	208	128	100		236
Vocal Music	100	33,203	34,184	881	-
Instrumental Music	2,568	8,758	8,586	(881)	1,859
Drill Team	(499)	37,755	34,069		3,187
Elementary Music	264	638	575		327
History Trip	18				18
Yearbook	2,525	11,588	8,430		5,683
Cheerleaders	4,594	11,580	12,132		4,042
National Honor Society	205	580	495		290
Senior Class		879	2,305	1,426	-
Junior Class	1,426	1,319	2,046	1,601	2,300
Sophomore Class	3,006	3,598	1,618	(2,002)	2,984
Freshman Class	1,025	993	445	(1,025)	548
Classes Graduated	1,595		66		1,529
Junior High	4,028	13,798	14,037		3,789
High School Athletics	7,390	31,759	32,836		6,313
Fitness Center	4,003	703	618	(4,004)	84
L-B Wrestling	5	8,176	7,955		226
High School Football	2,038	62,579	60,407		4,210
L-B Girls Basketball	839	25,531	25,439		931
Track	254	1,575	1,686		143
Girls Volleyball	1,020	3,225	2,996		1,249
Boys Basketball	1,284	10,555	7,881		3,958
Boys Baseball	2,347	4,703	5,637		1,413
Girls Softball	2,416	14,388	9,377		7,427
Concessions	200				200
Activity Tickets	100	286	386		-
L-B Elementary Building	10,638	26,768	22,189		15,217
Reserve For Contingency	8,927	9,452	18,037	702	1,044
Library	2,311	157	1,861		607
	<u>\$ 75,452</u>	<u>\$ 343,406</u>	<u>\$ 337,140</u>	<u>\$ (3,302)</u>	<u>\$ 78,416</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Years Ended June 30, 2008, 2007, 2006, 2005

Schedule 8

	Modified Accrual Basis of Accounting			
	2008	2007	2006	2005
Revenues:				
Local Sources:				
Local Tax	\$ 2,786,311	\$ 2,471,965	\$ 2,223,894	\$ 2,179,574
Tuition	382,909	280,918	225,742	274,359
Other	660,877	650,662	529,519	308,038
State Sources	3,022,660	2,796,166	2,607,387	2,354,530
Federal Sources	136,261	134,070	163,665	129,821
Total	<u>\$ 6,989,018</u>	<u>\$ 6,333,781</u>	<u>\$ 5,750,207</u>	<u>\$ 5,246,322</u>
Expenditures:				
Instruction:				
Regular	\$ 2,509,918	\$ 2,498,452	\$ 2,212,621	\$ 2,183,741
Special	614,365	535,445	452,323	397,406
Other	577,951	504,123	449,844	452,576
Support Services:				
Student	147,969	153,304	173,868	153,510
Instructional Staff	171,789	165,191	184,969	61,286
Administration	647,296	571,524	570,536	470,249
Operation and Maintenance of Plant	451,017	427,015	353,394	403,515
Transportation	302,418	475,415	325,478	250,777
Non-instructional programs				
Other Expenditures:				
Facilities Acquisition	1,101,113	327,700	190,632	133,838
Long-term debt:				
Principal	2,900,000	250,000	235,000	225,000
Interest and other charges	197,273	163,860	176,080	187,820
AEA Flowthrough	210,904	194,268	175,489	169,052
Total	<u>\$ 9,832,013</u>	<u>\$ 6,266,297</u>	<u>\$ 5,500,234</u>	<u>\$ 5,088,770</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Accounting – Segregation of Duties

Observation – The District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The District has implemented management review procedures which we feel aid in improving the internal controls of the District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-08 Financial Reporting

Comment – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, or capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, or capital asset transactions.

Conclusion – Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2008

Part III: Other Findings Related to Statutory Reporting:

- III-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amounts in the instruction and non-instructional programs functions.
- Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion – Response accepted.
- III-B-08 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-08 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2008.
- III-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-08 Certified Enrollment – The District noted a variance in the basic enrollment data certified to the Department of Education. The 2007 enrollment was understated by .3.
- III-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-I-08 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- III-J-08 Deficit Balances – Three enterprise funds, School Nutrition, Preschool, and Before and After the Bell, had deficit fund balances at June 30, 2008.
- Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings
Year Ended June 30, 2008

Response – The District is continuing to investigate alternatives to eliminate deficits in the applicable enterprise funds.

Conclusion – Response accepted.

III-K-08

Revenue Bonds – The District has not established the Reserve Account required by the revenue bond resolution.

Recommendation – The District should establish the Reserve Account in the amount required and made the monthly transfers to the Sinking Account as required by the bond resolution.

Response – We will establish a Reserve Account and begin making transfers to a Sinking Account.

Conclusion – Response accepted.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Lawton-Bronson Community School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2008, and have issued our report thereon dated March 26, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Lawton-Bronson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Lawton-Bronson Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton-Bronson Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lawton-Bronson Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lawton-Bronson Community School District's ability to initiate, authorize, record, process, or

report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lawton-Bronson Community School District's financial statements that is more than inconsequential will not be prevented or detected by of Lawton-Bronson Community School District's internal control. We consider the deficiencies described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lawton-Bronson Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe items II-A-08 and II-B-08 are material weaknesses.

The Lawton-Bronson Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Lawton-Bronson Community School District and other parties to whom the Lawton-Bronson Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lawton-Bronson Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company P.C.
Certified Public Accountants

Sioux City, Iowa
March 26, 2009